

Wholesale Food Distribution Center Growth and Development (Jessup, Maryland)

Executive Summary

By: Agricultural Marketing Service, USDA in cooperation with
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Background

Modern wholesale food distribution centers have been constructed by local food industries, authorities, and others at a number of locations in the United States. One major center is located between Baltimore, Maryland, and Washington, D.C., at Jessup, Maryland. This center, the Maryland Wholesale Food Center, including the Maryland Wholesale Produce Market, the Maryland Wholesale Seafood Market, and independent food distributors, has rapidly expanded since its construction. In an effort to examine the impact of modern wholesale food distribution centers on regional food distribution and to use the Maryland Wholesale Food Center as an example to illustrate long range planning for such facilities, the U.S. Department of Agriculture initiated a study of the development of the Center and of the firms located at this important marketing facility. The purpose of this study is to evaluate the present impact of the Maryland Food Center, as an example of a modern wholesale food distribution center, on food marketing in the region and to assess its future potential for assessing additional facility requirements of the area's food industry.

Scope

The scope of the study included the following: a general survey of the operations of selected wholesale firms (fruit and vegetable firms, egg wholesalers, meat companies, poultry firms, dairy wholesalers and frozen food firms) in Baltimore City and surrounding counties; an example comparison of operating efficiencies and marketing by produce firms over time and between produce firms on the Center and located elsewhere; an analysis of the buyers using portions of the Maryland Wholesale Produce market; and an outline of an example future development plan for the Center as a whole to meet the new food distribution facility requirements of the region. The study area corresponded to an earlier feasibility study conducted prior to the construction of the Maryland Wholesale Food Center.

Eighty two firms were identified as operating in the study area. These companies handled about 1.8 million tons annually. These food products were distributed mainly within the study area, although the firms were also active in adjoining states and national markets. Most receipts were by truck and most products were delivered on wholesalers' vehicles.

Methodology

A detailed analysis was conducted of the produce firms operating in the area, using both survey information and equivalent material from an earlier USDA report. Many produce firms operating in the area had relocated to the Maryland Wholesale Produce Market at construction, other produce firms relocated elsewhere when the industry vacated redevelopment areas in Baltimore during the late 1960's. Volumes and sales had increased substantially in the 22 years between the two studies. Produce firms located at the Maryland Wholesale Produce Market increased volumes, improved certain measures of efficiency and maintained lower operating costs, when compared both with operations surveyed in the earlier report and produce companies which had relocated elsewhere in the study area. Total employment in the produce industry had increased while per ton operating costs have decreased 39 percent from costs prior to relocation. Costs, adjusted for

inflation, affected by modernized facilities, have dropped \$12.09 per ton handled in comparison between old and new buildings with much of the total savings accruing to firms on the Maryland Wholesale Produce Market. Facility related costs for firms located on the Produce Market total \$31.76 per ton less than that of produce firms now operating elsewhere in the study area.

Buyers visiting the Maryland Wholesale Produce Market were also surveyed over a two year (1987-1988) period. The Market draws considerable volume from surrounding areas but also attracts buyers from adjoining states. Wholesalers, independent retailers, and sellers at farmers' markets were among the most important customers, accounting for more than 75 percent of total estimated purchasers. Summer is the major season in terms of volume. Most of the walk-in-buyers visit about 6 wholesalers at the Market during a single trip and many orders are by telephone, even though the produce is usually picked up at the Market.

Additional Developments

Using regional firms needing new facilities as a basis, an example development plan was designed for the Maryland Wholesale Food center. A total of 39 firms needing new facilities were identified during the general survey of selected types of companies noted earlier. Of the total, 18 percent need to relocate in the near future, while the other companies are anticipating needing new facilities within the next 5-10 years. Together, these firms presently handle 642,000 tons of product representing about \$640 million in annual sales.

Two types of buildings can meet the needs of the firms: (1) multiple-occupancy buildings (a specialized structure designed to be shared by moderate size companies); and (2) single-occupancy buildings (custom buildings for a single company).

Two alternative arrangements are outlined in the report to accommodate this additional space.

Both arrangements provide for 635,500 square feet of new space, intended to be constructed in 3 phases. Phase 1 involves facilities constructed as an addition to the Maryland Wholesale Food Center. Phase 2 would supplement these initial buildings to accommodate firms needing facilities in the intermediate future. Phase 3 involves construction of still more buildings on additional land, perhaps at other locations. Total investment, excluding land, is about \$30 million, assuming either alternative arrangement.

In order to assess potential costs and benefits a detailed analysis is included in the report of the various alternatives open to the companies identified as having an immediate need for new facilities. This analysis indicates that both a potential developer of the new facilities and the wholesale firms would benefit from relocating to a modern wholesale food distribution center such as the Maryland Wholesale Food Center. Other benefits are also possible, accruing to workers, communities, food purchasers and others.

Conclusions and Recommendations

Modern wholesale food distribution centers have the potential of playing a critical role in the continued good health, competitiveness, and effectiveness of regional food industries. The successful operation of the MWFC illustrates the direct impact such a facility can have on improving the efficiency of firms included in the developments. Also, buyers using the Center enjoy a unique opportunity to "shop" many different and competitive wholesalers, a particular advantage in the institutional trade but useful in other areas as well of the retail food industry. Additional development on the present site of the MWFC, if possible, is considered feasible both from the standpoint of the potential developer and the wholesalers involved. Other, non-measurable, benefits would also accrue from such development to the community and other affected groups.